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U.S. DEPARTMENT OF STATE
JULY 28, 2005
BEFORE
THE HOUSE INTERNATIONAL RELATIONS
SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS, AND
INTERNATIONAL OPERATIONS

Mr. Chairman and members of the Committee, thank you for asking me to testify on Africa, an Africa view of the People's Republic of China's presence in sub-Saharan Africa, and its implications for United States interests.

The U.S. is engaged with Africa as never before, and we are directly supporting the historic progress that much of Africa is making – on governance and democracy, economically, and more recently on health issues – even in the face of major challenges. The President has signaled U.S. commitment with programs aimed largely at Africa, including his Emergency Plan for HIV/AIDS Relief, the Millennium Challenge Account and, at the G-8 in Gleneagles earlier this month, his new, multi-million dollar program to tackle one of Africa's most lethal killers – malaria. The President also announced U.S. support for broader debt relief for Africa's most impoverished nations and increased assistance to address humanitarian emergencies. Secretary of State Rice on her recent trip to Africa reinforced the Administration's view of Africa's promise when she said: "Our partnership rests on the conviction that only the people of Africa can solve the problems of Africa. But for these men and women to fulfill their dreams of democracy and security and prosperity, all developed nations have a responsibility to help."

The U.S. is not the only country deepening its engagement with Africa. The pace of China's economic growth over the past decade has been remarkable; China is the world's sixth-largest economy, the third-largest trading nation, and the second largest recipient of investment capital. As a natural result of that growth, China is increasingly involved in the global marketplace, seeking new markets for its goods, and reliable sources of energy. Both are reflected in China's increased engagement across sub-Saharan Africa. China's trade, aid, and investment are increasing rapidly. Approximately 30% of China's oil imports currently come from Africa and China hopes to increase the proportion in the years ahead.

This should not be read as a threat. Nations from every region are seeking markets in Africa, and African sources of energy, the same as in other regions. In fact, this can work to advance our goals in Africa to the extent that it serves to increase prosperity and stability and thereby contributes to increased respect for human rights and individual freedoms. As Secretary Rice said in March “clearly America has reason to welcome the rise of a confident, peaceful, and prosperous China. We want China as a global partner, able and willing to match its growing capabilities to its international responsibilities.” There are, of course, times when our interests and China’s will need to be the subject of dialogue. Certainly, the Administration will continue to work hard to address common challenges – regional and global, economic and political – with China. And in those areas where we have differences, we strive to handle these issues in a candid and open dialogue, and in ways that advance our values and national interests.

Context of China in Africa

For a number of reasons, African nations are good potential trading partners, as they offer sources of energy and other strategic minerals, fertile areas for contracts, and potential supporters of our geopolitical interests.

From the standpoint of the developing world, China has long claimed that it is in a unique position as a global power that is a natural partner for Africa. China’s policy toward Africa is pragmatic, primarily oriented towards economic and commercial goals.

We have several direct interests with respect to Africa and China’s presence there:

- To ensure that our respective engagement on the continent promote open, vibrant markets that operate in a constructive and transparent fashion.
- To ensure that our respective policies supporting political, economic, and commercial engagement promote economic prosperity, stability, good governance, democracy and human rights.
- To ensure that the U.S. remains a close partner of African countries and institutions on key regional and international issues.
- To foster conflict resolution, and to limit arms sales that could make that more difficult.
- To identify areas where interests converge, while remaining aware of potential differences. Peacekeeping is one area. China currently participates in six operations, with 600 peacekeepers in Liberia. Chinese-supported

infrastructure projects can also complement efforts to promote African growth, and China's experience in poverty reduction can be helpful to developing African countries. Support for the African Union is another. China was an early supporter of the AU, and has provided financial support. Our interest in combating terrorism is another area where our interests converge.

China's increasing engagement on the continent provides opportunities for cooperation. Deputy Secretary of State Robert Zoellick has stated that "it is in our interest to integrate [China] into the economic and security system that we've helped develop over the past 50 years." China's integration into that system is now largely complete and it is important for us to continue to work together to ensure the system develops in a way that is mutually beneficial. The Chinese Foreign Ministry, too, announced its policy that "the development of economic and trade cooperation between China and the United States conforms to the interests of both sides." We believe it is important to move forward and discuss such issues and concerns with China. This will be an important part of the conversation that Deputy Secretary Zoellick will have in China August 1 and 2 as part of our new senior-level dialogue, where the Deputy Secretary and his counterparts will consider points of mutual interest and discuss how best to manage our differences.

The strength of America's engagement in Africa, and the strong advances Africa is making in so many fields, with our help, is the context in which we view China's increasing presence in the African continent.

Background and Goals of Chinese Involvement

China is not a newcomer in Africa, but instead has a long-standing tradition of contact with Africa, dating back to early 15th century expeditions reaching Africa's Swahili coast. More recently, in the 1950s and 60s, when African nations were gaining their independence, China viewed emerging African nations as part of a developing world alliance seeking political equality and economic control of their own destiny, a destiny which hitherto had been shaped by the interest of Western nations in the late 19th and early 20th centuries. China developed an African policy aimed both at maximizing its influence (and counterbalancing the USSR's after the Sino-Soviet split) and at isolating Taiwan on the world stage. As a part of that policy, China often supported limited but very visible assistance projects in many parts of the continent – roads, railroads, stadiums, government buildings, etc. – as

well as some Marxist liberation movements that were not funded by Moscow. Actual Africa/China trade, however, remained quite small.

In the aftermath of the Cold War and in the context of more recent Chinese economic success, Africa has seen a growing Chinese presence largely oriented towards economic engagement. The main elements of that presence appear to be the following:

- Finding new markets for Chinese goods.
- Expanding access to raw materials.
- Maximizing the number of African nations that maintain official relations with the PRC, rather than Taiwan which is still recognized by seven African governments (Burkina Faso, Chad, The Gambia, Malawi, Sao Tome & Principe, Senegal, Swaziland).
- Demonstrating its emergence as a major power, especially in the United Nations and other international organizations.

In many respects, China's engagement is essentially classic Adam Smith value free capitalism in action. It's worth noting, too, that while we refer to "China," Chinese engagement also involves a wide range of private enterprises, semi-private businesses, and local government entities that engage in trade not directly linked to official Chinese government policy.

Diplomatic Ties

On the political and diplomatic front in Africa, we see a more visible Chinese presence, including the increase in the number of Chinese diplomats; deepened bilateral relationships and dialogues with a number of countries ranging from South Africa, Nigeria, Gabon, Angola, and Equatorial Guinea, to Sudan and Zimbabwe; and increased participation in UN Peacekeeping Operations, mostly in Africa.

High-level visits and exchanges are further evidence of this trend. Visits of African leaders to China are numerous, including most recently that of Zimbabwe President Mugabe. This commitment to Sino-African diplomacy is not new. For the past seventeen years the Chinese foreign minister has begun each new year with a trip to Africa. China's official presence in a number of African countries also is being upgraded significantly. China is building a substantially larger embassy in Pretoria, for example, as it has in several other countries.

In 2000, Beijing created the Forum on China-Africa Cooperation (FOCAC) as a vehicle for expanding Sino-African economic, trade, and political ties. The two triennial FOCAC conferences held so far (Beijing in 2000, Addis Ababa in 2003) had high-level representation, including African presidents, vice presidents, prime ministers, and foreign ministers. China's President, Vice President, and Premier were all present at the first FOCAC conference, in Beijing. Premier Wen Jiabao represented China at the second FOCAC Conference, held in Addis Ababa in December 2003.

As you know, Africa constitutes the largest voting bloc in the UN and can provide needed support in the General Assembly on various issues. African countries have at times sought to avoid unwanted UNSC actions and hoped that China, as a permanent member of the UN Security Council, might employ the veto threat to stave off unwanted UNSC actions. Although China has threatened to use the veto on a number of occasions, it has not actually employed its veto in this way. This points to the fact that, with China's emergence onto the world stage, it has no interest in letting itself be isolated on such key issues with respect to Africa or other areas of the world.

Economic Outreach

China's growing presence in Africa is most visible on the economic front, a natural consequence of China's economic growth. Africa-China trade doubled between 2002 and 2004, with two-way trade reaching \$ 21.6 billion in 2004, according to the International Monetary Fund (IMF). Africa's imports from China are increasing – from \$ 3.6 billion in 2000 to \$ 9.6 billion in 2004, and Africa's exports to China increased – from \$4.5 billion in 2000 to \$12 billion in 2004. Still, even with those increases, that two-way trade remained at just under half the level of U.S.-Africa trade in 2004. Much of the increase in China-Africa trade is attributable to rising imports of oil from Africa, with Angola now accounting for almost 14 percent of Chinese oil imports. Although most African imports from China are still either textiles or comparatively inexpensive, often low-quality goods, it also is beginning to import more sophisticated products, including telecommunications equipment, often accompanied by extremely generous credit or other arrangements in support of potential contracts.

Chinese direct investment in Africa also has increased over the past couple of years. State-owned enterprises (SOEs) account for a considerable share of Chinese

overseas investment, and in some cases, seemingly poor investments are the result of direct central government involvement in overseas investments in what are considered “strategic” areas. (Some experts, however, say that more than half of Chinese SOE overseas investments lose money because of inadequate and inexperienced management, or of purchasing overvalued assets.) The number of joint ventures between African state-owned companies and Chinese companies has been on the rise. In Sudan, for example, Chinese firms built a refinery north of Khartoum in 1999 and now own it jointly with the Government of Sudan.

Still, we should not overestimate Africa’s place in China’s foreign policy or its influence in Africa. Even with the remarkable increase in African exports to China in 2004, Africa only accounted for 2.8 percent of China’s total imports. China’s realized foreign direct investment (FDI) in Africa in 2004 was only USD 135 million, accounting for less than 4 percent of China’s FDI for the year. By comparison, Latin America captured approximately half of Chinese investment. Another 40 percent went to the rest of Asia. Even in South Africa, the continent’s biggest economy, Chinese direct investment remains minimal.

A number of large contracts for infrastructure projects in Africa, including some financed by the international donor community have been won by Chinese construction firms. China’s bid for Ethiopia’s Takazee Dam, one of Africa’s largest hydro-power stations, to be located at the headwaters of the Blue Nile, won out over several Western companies. The Chinese volunteered to construct and fully fund a proposed stadium in Dar es Salaam when European donors balked at the idea of Tanzania using donor budget support for the project. In Botswana, for example, Chinese firms now win approximately 80% of all construction contracts from the government, which in turn commissions 80% of the country’s total number of construction projects. This has angered some local firms, which argue that they cannot compete with the prices and “different labor culture” of their Chinese competitors, including the importation of Chinese laborers and a generally tolerated reliance on illegal Zimbabwean immigrants.

The spread of Chinese-operated retail shops through much of Africa is anecdotal but also highly visible, and occasions some local complaints about such businesses and their business practices. In most cases, African-manufactured products cannot compete with low-cost Chinese goods, and there is growing awareness that African manufacturers face strong competition from Chinese manufactured goods.

African countries also receive continuing assistance from China, although it is difficult to determine the amount of such aid because China uses different methods

of measuring aid than Western countries do. Such aid generally consists of training and scholarships in China or of prominent projects like the construction of national assembly buildings or stadiums. Host nations often note that such projects are built almost exclusively with Chinese labor and materials (and so do not provide many local jobs except at the most unskilled level). Host nations also often receive grants and soft loans for infrastructure projects, again usually to be constructed with Chinese labor and equipment. China also provides some financial assistance and debt relief. In 2000, during the first FOCAC conference, China announced, for example, that it would cancel more than \$1 billion of African debt. China is also a member of the African Development Bank and contributes to the African Development Fund.

To put this in perspective, it's important to look at our economic relations with Africa, as opportunities and accomplishments abound. Last year when President Bush signed the AGOA Acceleration Act, he was ensuring that Africa would have the opportunity to continue its unprecedented economic growth through trade well into the next decade. AGOA is a symbol of the United States' belief in the entrepreneurial spirit of Africa and of the positive benefits that increased trade and investment between the U.S. and sub-Saharan Africa can accrue to both sides.

During the recent AGOA Forum President Bush also announced the African Global Competitiveness Initiative, which will provide \$200 million of additional resources over the next five years for trade capacity building and technical assistance programs. As part of this initiative, USAID will also open a new fourth technical assistance hub, to complement the efforts of the USAID trade hubs already located in Accra, Ghana; Gaborone, Botswana; and Nairobi, Kenya.

Through the Leland Initiative USAID is bringing the benefits of the global information revolution to the people of Africa, builds on existing capacity with the ultimate aim of facilitating internet access throughout each country. Earlier, in March 2003, President Bush launched with President Wade of Senegal the pilot program for the Digital Freedom Initiative, which leverages the leadership of the U.S. government with the creativity and resources of American business, and the vision and energy of local entrepreneurs in partner countries to promote economic growth using information and communications technology (ICT). The Senegal pilot assists universities, medical institutions, civil society and micro-enterprises with training and increased access to financing and equipment designed to help bring Senegal into the information age. In all of these ways, and more, the United States is having a positive economic impact in Africa in ways that advance both Africa's interests and our own.

Africa's Natural Resources

An issue that has been the subject of much attention here in the United States is Africa's natural resources – oil, iron ore and other minerals, fish, timber, and other raw materials. In the earlier years of its economic expansion, China sought critical raw materials primarily from sources in Asia, but as its economy has continued to expand, China has increasingly looked elsewhere, including to Africa as a source of key commodities. Timber exports to China are of growing importance to several African countries, for example, and deforestation is a concern, as is exploitation of African coastal fishing resources by unregistered trawlers from many nations, including from China

The most important natural resource that Africa sends to China is oil, in particular from Angola, but also from Sudan, Nigeria, Equatorial Guinea, and other countries. China's oil demand is steadily increasing; oil consumption rose 11% in 2003 and another 18% in 2004, and this pattern is virtually certain to continue as domestic crude production remains stagnant. China is now the world's second-largest consumer and importer of petroleum after the United States (albeit at considerably lower levels).

Oil from the Gulf of Guinea region – stretching from Nigeria down to Angola, also offers a comparative advantage for China because that oil is sweet crude and thus most suitable for the existing capacities of Chinese refineries. Chinese purchases of West African crude in the global market have increased significantly over the past few years. In 2004, Africa accounted for almost one third of total Chinese oil imports, and a recent report from the Center for Strategic and International Studies projected that Africa would provide up to 45% of China's oil by 2010. Africa is expected to account for 25 percent of U.S. oil imports by 2015. That would make the United States and China the two largest importers of African oil.

The only African country where Chinese interests have made a significant breakthrough in oil production is Sudan. The China National Petroleum Corporation (CNPC) owns 40 percent of the largest oil producing company in Sudan, Great Nile Petroleum Operating Company (GNPOC). GNPOC is currently producing about 300,000 barrels per day and owns and operates the 1610 km export pipeline linking Heglig production oilfields with Port Sudan. This pipeline, the longest in Africa, was built by Chinese construction firms at a cost of \$1.6 billion. We have expressed our concern about China's investment in the Sudan and the use of Chinese funds to underwrite infrastructure development and

exploration in a nation that does not respect human rights and which has been engaged in a policy of genocide. In response, the Chinese have supported achievement of the Comprehensive Peace Agreement, and have encouraged the Sudanese government to end violence in Darfur and negotiate a political settlement. Moreover, the Chinese supported the establishment of a UN peace monitoring operation for the North/South accord, and China is a scheduled troop contributor, to provide an engineer battalion.

Military Assistance

Africa also is seeing increased military-related interaction with China. When a project is agreed upon, military equipment and training often come along with the deal. Such projects or agreement do not take into account a recipient country's security and human rights record. Many African militaries view Chinese military training as a worthwhile alternative to U.S. training, particularly if U.S. training is not available, and we are seeing an increase in the number of African military officers going to China for such training. The military equipment African militaries purchase from China also is comparatively simple and inexpensive, just what many African militaries are looking for. Zimbabwe, Sudan, Ethiopia and Eritrea, and other countries all have purchased equipment or benefited from security-related projects. The first-ever Chinese military ship visit to an African country took place to Tanzania in 2000.

The U.S. however, also is intensively engaged across the African continent to promote professionalization of African militaries, including respect for democracy and human rights, and to promote regional conflict resolution. This year we allocated \$10.8 million for the International Military Education and Training (IMET) program in Africa; \$26.3 million for the Foreign Military Financing (FMF) program; and \$43.9 million for Africa Regional Peacekeeping efforts. Additionally, \$14.8 million was allocated directly for the ACOTA program plus the lion's share of the \$80 million Global Peacekeeping Operations Initiative (GPOI) funding will also go to support capacity building for African militaries and regional headquarters. Additionally, the Department of Defense executes a broad range of mil-to-mil programs (largely through the Combatant Commanders' Theater Security Cooperation Plans) using DoD funding.

Public Diplomacy and Influence

In Africa and other areas, China pursues effective public diplomacy efforts ranging from libraries, exchanges, and even sophisticated English-language television programs. This points to the continued importance of our own extensive public

In troubled nations like Sudan and Zimbabwe, we want to ensure that foreign investment does not serve to support those governments at a time that when major human rights violations are occurring. We have made these concerns clear in relation to Chinese investment in Sudan, and activities in Zimbabwe, including diplomatic support, economic and trade deals, and close military ties. Within the past week Zimbabwe's President Mugabe has visited Beijing to meet with Chinese President Hu Jintao and other Chinese officials and is expected to ask for a financial assistance package in a last-ditch effort to obtain funds from its dwindling number of allies and stave off eviction from the IMF. Mugabe had earlier proclaimed a "Look East" policy in an effort to showcase ties with China as a substitute for waning business with the West. We will be raising with the Chinese our concerns that Mugabe needs to reform his economic and political policies.

Finally, it should also be noted that many African countries are astute players of the international aid game, attempting at times to play off one donor against another. Getting into such a context would be counter-productive to both our interests and for African development. In general, African countries see China for the economic actor it is.

The United States in Africa

A close look at U.S. relations with Africa provides perspective on China's engagement in Africa. United States ties to African nations have grown dramatically in recent years. President Bush has noted that during his Administration U.S. aid to Africa has tripled, and he has stated that we will double it again by 2010. Thus the United States is not in danger of being eclipsed in its demonstration of interest in and concern for Africa. More importantly, our growing ties with Africa are based on a shared commitment to democracy, free markets, and economic integration and, even more fundamentally, on shared cultural roots, values, and history.

Much of Africa is undergoing a positive long-term transformation that we are supporting. Despite tragedies in areas such as Darfur, more and more countries are undergoing peaceful transfers of power, and such countries are cooperating to advance regional stability and democracy. Regional organizations run by Africans,

for Africans – such as the African Union, the Economic Community of West African States, and others – are facilitating those changes. In formulating our own policy goals for Africa, we need to be aware of these successes and are building on them. Importantly, as we expand our engagement with Africa, we are coordinating our efforts with the European Union, its member states, and other interested countries like Japan. U.S. leadership in this dynamic multilateral approach reinforces U.S. influence and maximizes the impact of shared efforts to promote democracy and development.

The United States also is helping African states and regional organizations strengthen their own ability to respond to and resolve conflict. One of our most successful programs has been our African Contingency Operations Training and Assistance (ACOTA) program, which has resulted in the deployment of U.S.-trained, African-led peacekeepers to several of Africa's trouble spots. Congress has recognized that success and is building on it with a five-year Global Peacekeeping Operations Initiative (GPOI), which aims to train 75,000 peacekeepers over the next five years, half of them in Africa. The Trans-Saharan Counter-terrorism Initiative (TSCTI), a newly planned program, also will enhance border security in West Africa and thereby contribute to the vital goal of regional security.

Potential for Cooperation

President Bush has said that “the peoples of Africa deserve the peace and freedom and opportunity that are the natural rights of all mankind,” and U.S. policy is advancing those goals. The Administration will continue its programs on the African continent and advance our agenda by focusing on bolstering security, strengthening democracy and economic freedom, promoting prosperity, and investing in people. To advance this agenda, we will need the continued support of Congress.

China's growing presence in Africa is a reality, but it can increase the potential for collaboration between the United States and China as part of a broader, constructive bilateral relationship. China should have many of the same interests in Africa as the United States, based, among other elements, on our shared reliance on a global oil market, shared desire to diversify sources from the Middle East, and shared concern over volatile oil prices. We should share interests in conflict resolution and promotion of national and regional stability. China's willingness to take on infrastructure projects can complement Western investment and assistance

programs. We should also share an interest in economic frameworks that promote trade, markets, resource exploration and production in a sustainable way.

The future of U.S.-China relations in Africa has yet to be charted, but a focused, direct dialogue is an essential starting point. The Administration will continue to advance U.S. interests in Africa actively and to engage China directly, at all appropriate levels, to seek to develop new concepts of cooperation that can advance our common interests.

Our challenge is to continue helping African countries transform their societies and extend the benefits of democracy and economic reform to all their citizens. Despite China's growing presence in Africa, the United States has been, and will continue to be, the long-term partner of preference of most African people – based on shared values and common long-term objectives. There is a tremendous appreciation in Africa of our sustained and expanded engagement with the continent in ways that directly benefit its people. The very high priority the Administration attaches to Africa policy will continue to build goodwill and advance the U.S.-Africa Partnership.